Appendix

Sec. 644 of the California Civil Code as in effect prior to 1931 (superseded in 1931 by Sec. 1.01 of the Building and Loan Association Act):

> "All building and loan associations, as in this title defined, doing business in this state, shall be under the supervision and control of such official or officials as are by law vested therewith; and except in the manner provided in this title, no corporation, firm, or association shall conduct or carry on the business of accumulating the savings of its shareholders, members, or investors, and loaning such accumulations to them, in the manner of building and loan associations."

Sec. 646 of the California Civil Code as in effect prior to 1931 (superseded in 1931 by Sec. 12.04 of the Building and Loan Association Act):

> "No building and loan association or other corporation, association or society organized under and by virtue of the laws of any other state or territory or of any foreign country, for the purpose of conducting and carrying on a business of a character similar to that authorized by this title, or whose by-laws, rules, prospectus, contracts or methods of business provide for the conducting or carrying on the business of accumulating the periodical payments or savings of its shareholders, members or investors in the manner of building and loan associations, or as authorized and provided in this title, shall enter the State of California for the transaction of business or for sell-

ing its bonds, debentures, certificates, shares of stock, shares of membership, contracts or other similar securities or otherwise transact any of its business of a character similar to that authorized by this title, without first complying with all the requirements of the laws of this state relative to building and loan associations as defined in this title and in an act entitled 'The building and loan commission act,' approved April 5, 1911, and acts amendatory thereof and supplemental thereto, and until such building and loan association, corporation or society has applied for and received from the building and loan commissioner a certificate of authority or license to transact business in this state as required of building and loan associations organized under the laws of this state, and without having deposited with the building and loan commissioner the money or securities hereinafter in this section required for the transaction of such business within this state. Every such foreign building and loan association, corporation or society transacting business in this state of a character similar to that authorized by this title, or in such a manner as might lead the public to believe that its business is that of a building and loan association, shall become subject to the supervision of the building and loan commissioner, and shall conduct all its business in accordance with the statutes governing building and loan associations organized under the laws of this state.

Every building and loan association, and every other corporation, association or society organized under and by virtue of the laws of any other state

or territory or of any foreign country, for the purpose of conducting and carrying on a business of a character similar to that authorized by this title, or whose by-laws, rules, prospectus, contracts or methods of business provide for the conducting or carrying on the business of accumulating the periodical payments or savings of its shareholders, members or investors in the manner of building and loan associations, or as authorized and provided in this title, desiring to enter the State of California for the transaction of business or for selling its bonds, debentures, certificates, shares of stock, shares of membership, contracts, or other similar securities, must first deposit with the building and loan commissioner not less than fifty thousand dollars in lawful money of the United States or in bonds of the United States or of the State of California, or of any county, municipality or school district of said state, or of any public utility corporation, or of any irrigation district in said state, the bonds issued by which district are legal investments for savings banks or any notes or bonds secured by mortgage or deed of trust payment of which is guaranteed by a policy of mortgage insurance, or mortgage participation certificates, issued by a mortgage insurance company in accordance with the provisions of chapter eight, title two, part four of division first of the Civil Code or in lieu thereof promissory notes secured by first mortgages or deeds of trust upon unencumbered real estate located within this state, satisfactory to the building and loan commissioner, all duly assigned or endorsed in blank, to be held by him as a guarantee fund for the protection and indem-

nity of residents of the State of California who shall invest in any of its bonds, debentures, shares, contracts, agreements or other securities, or with whom it shall do business.

With the consent of the building and loan commissioner any of the securities deposited as herein provided may be withdrawn at any time upon the substitution and deposit of others of form and character herein specified and of like or greater net value, so long as the aggregate net convertible value of all equals or exceeds the amount named herein. The fund thus created is not to be foreclosed or realized upon except for the liquidation of a final judgment in favor of residents of California who were investors in any of the above mentioned securities of such foreign association, corporation or society, and then only after certified proof thereof has been filed with the custodian.

Except as above provided, securities deposited as herein specified shall not be withdrawn until satisfactory proof of the liquidation of all liabilities to residents of California, approved by the building and loan commissioner, shall be filed with the custodian, when all may then be withdrawn.

Any person who shall be found in the state, as principal, agent, solicitor, or in any other capacity, soliciting or conducting the business of selling, disposing of, or taking or soliciting subscriptions for the sale of any of the forms of bonds, debentures, shares, contracts, agreements or other securities of any such foreign company, corporation or association which has not complied

with all the requirements of this section and which is not at that time the lawful holder of a license to transact business in this state, issued by the building and loan commissioner, and then in force, shall be deemed guilty of a misdemeanor, punishable, upon conviction, by a fine of net less than one hundred dollars nor more than one thousand dollars or by imprisonment in the county jail for not less than one month nor more than twelve months, or by both such fine and imprisonment."

Sec. 12.04 of the California Building and Loan Association Act as adopted effective August 14, 1931 and as amended effective September 15, 1935:

"Sec. 12.04. Foreign Associations. No foreign association formed for the purpose of conducting and carrying on a business similar to that authorized by this act, or whose by-laws, rules, prospectus, contracts or methods of business provide for the conducting or carrying on the business of accumulating the periodical payments or savings of its shareholders, stockholders, members or investors in the manner of associations, or as authorized and provided in this act, shall enter the State of California for the transaction of business or for selling its shares, stock, and investment certificates or shall sell any of its shares, stock, or investment certificates, or otherwise transact any of its business of a character similar to that authorized by this act unless it shall have first (a) complied with all the requirements of the laws of this State relative to associations as defined in this act and acts amendatory hereof and

supplemental hereto, and (b) applied for and received from the commissioner a license to transact business in this State as required of a domestic association, and (c) deposited with the State Treasurer the money or securities hereinafter in this section required for the transaction of such business within this State. Every such association transacting business in this State of a character similar to that authorized by this act or in such manner as might lead the public to believe that its business is that of a building and loan association shall become subject to the supervision of the commissioner and shall conduct all its business in accordance with the statutes governing domestic associations.

Every foreign association mentioned or referred to in the preceding paragraph of this section desiring to enter the State of California for the transaction of business or for selling its shares, stock or investment certificates must first deposit with the State Treasurer not less than one hundred thousand dollars in lawful money of the United States, or in bonds or other securities referred to in subdivisions (3), (4) and (5) of section 9.02 of this act, or in lieu thereof promissory notes in such amount secured by first mortgages or first deeds of trust upon improved real property located in this State satisfactory to the commissioner, all duly assigned or endorsed in blank, to be held by him as a guarantee fund for the protection and indemnity of residents of this State who shall invest in any of its shares, stock or investment certificates, or with whom it shall do business. In the event mortgages or deeds of

trust shall be deposited, the association shall be required to make all collections thereon, and to do such acts as may be necessary or proper to protect and preserve the security therefor, and shall make monthly reports to the commissioner of the status thereof. Whenever any foreign association shall have outstanding shares and investment certificates issued to residents of this State of an aggregate value in excess of two million dollars, the deposit above mentioned, in money or security of the character above mentioned, shall be increased and at all times maintained in a sum at least equal to five per cent of such aggregate value. With the consent of the commissioner, any of the securities deposited as herein provided may be withdrawn at any time upon the substitution and deposit of others of the form and character herein specified and of like or greater net value, so long as the aggregate net value of all equals or exceeds the amount named herein. The fund thus created is not to be foreclosed or realized upon when the association is not in the hands of the commissioner, except for the liquidation of a final judgment in favor of residents of California who were investors in such association or with whom it shall have done business, and then only after certified proof thereof has been filed with the State Treasurer. Where the association is in the hands of the commissioner for liquidation as provided for by this act, the fund may be withdrawn by the commissioner at any time for distribution by him in favor of residents of California who were investors of such association or with whom it shall have done business. Except as above

provided, securities deposited as herein specified shall not be withdrawn until satisfactory proof of the liquidation of all liabilities to residents of this State, approved by the commissioner, shall be filed with the State Treasurer, when all may then be withdrawn. Only those persons who have resided in the State of California continuously from the time of investing in or doing business with such association to the time of securing a final judgment or to the determination by the commissioner to liquidate such association, shall be entitled to participate in the fund provided for by this section.

Any person who, as principal, agent, salesman, solicitor or in any other capacity, shall solicit or conduct in this State the business of selling, disposing of or taking or soliciting subscriptions for the sale of any of the shares, stock, or investment certificates of any foreign association which has not complied with all the requirements of this section and which is not at that time the lawful holder of a license to transact business in this State, issued by the commissioner and then in force shall be guilty of a public offense and shall be punished by imprisonment in the State prison not exceeding five years, or in a county jail not exceeding two years, or by a fine not exceeding five thousand dollars, or by both such fine and imprisonment.

No foreign association issuing any securities other than shares, stock and investment certificates shall be entitled to a license to transact business in this State and no foreign association transacting business in this State shall issue any

securities except shares, stock and investment certificates. The term 'securities', as used in this paragraph shall not include borrowings permitted by sections 9.05 or 9.06 of this act or instruments executed in connection therewith."

Due service and receipt of a copy of the within is hereby admitted this_____day of May, 1940.

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Attorney for Respondents